

March 22, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
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From: David E. Janssen  
Chief Administrative Officer

## **FEDERAL LEGISLATIVE UPDATE**

Congress has recessed until the week of April 8th. Before recessing, action took place on the Federal Fiscal Year (FFY) 2003 budget resolution in both houses.

**House Budget Resolution:** This week the House passed, 221-209, its FFY 2003 budget resolution (H. Con. Res. 353), which serves as a spending guideline and does not go to the President for his signature. The vote was largely along party lines. Defense spending would increase 13 percent while domestic spending would grow 1.1 percent before inflation. The budget projects a \$45.6 billion deficit in FFY 2003 and would use \$225 billion of the Social Security surplus to pay for other programs.

The House Budget Committee included report language indicating that it is "aware that a precipitous decline in Medicaid disproportionate share hospital (DSH) payments could be detrimental to the ability of rural and urban hospitals to deliver essential services." While it acknowledged that the cuts in DSH slated for FFY 2003 may harm public hospitals, there is no funding allocated to address the concern.

The resolution also assumes enactment of the Administration's proposals to merge the Local Law Enforcement Block Grant, Byrne Grants, and COPS Hiring Grants into a new \$800 justice assistance grant program. It also assumes the enactment of the Administration's proposal for a new competitive \$300 million Disaster Mitigation Grant program, which would replace the formula-based Hazard Mitigation Program.

Pending authorization, the resolution also includes a new \$400 million matching grant program to assist states and localities in purchasing new voting equipment.

**Senate Budget Resolution:** Yesterday, the Senate Budget Committee adopted its FFY 2003 budget resolution along party lines, 12-10. The resolution fully funds the President's defense request for FFY 2003 and 2004 and restores a number of the proposed domestic cuts. The resolution projects a \$92 billion deficit in FFY 2003. Although the resolution serves as a point of reference for the authorization and appropriations committees when they mark up actual legislation, the vast differences between the House and Senate resolutions make it unlikely that the two houses will be able to agree on a compromise blueprint that each body would use during the year.

For justice programs, the Senate budget resolution rejects the President's proposal to merge state and local justice grants into a new justice assistance grant, and to eliminate the State Criminal Alien Assistance Program (SCAAP).

The Senate mark assumes the reauthorization of the Temporary Assistance to Needy Families Program (TANF) and allocates an additional \$23 billion over ten years to welfare reform. The resolution also includes "Sense of the Senate" language supporting increased funding for child care.

As part of a ten-year \$500 billion reserve fund for health, the Senate resolution provides up to \$95 billion over ten years to expand health insurance coverage for the uninsured. The funds could be used for Medicare, prescription drug coverage or other health initiatives, however, and some projections conclude that the overall \$500 billion allocation would not be even enough for Medicare and a new prescription drug benefit. Authorizing and appropriations bills would have to be enacted as well. Last year, House and Senate committees failed to act on a similar \$24 billion fund for the uninsured allocated under the FFY 2002 budget resolution.

In other areas, the Senate mark restores funding for job training and employment programs by providing \$800 million over the Administration's request. It rejects the Administration's proposed cuts totaling \$2.4 billion for environmental and natural resource programs in FFY 2003. The mark also rejects the proposed cuts to the Community Development Block Grant (CDBG) program and would add \$269 million over current CDBG levels. It would also increase the HOME program by \$205 million.

When it reaches the floor, the Senate budget will likely face stiff opposition from Republicans and may even have trouble passing the Senate. There is a strong likelihood that Congress may not have a resolution to refer to while it adopts its spending bills later this year.

**State Criminal Alien Assistance Program (SCAAP):** California Senators Feinstein and Boxer and seven of their Senate colleagues sent a letter to the Senate Budget Committee last week urging that \$750 million be made available for SCAAP in FFY 2003. On the House side, Washington Advocate Franklin Logan has been working with California delegation members and Governor Davis' Washington office to craft a similar letter for the entire delegation to sign. Led by Representatives Dreier (R-Covina) and Farr (D-Salinas), the letter will be addressed to the House Appropriators and will be circulated for signature among the Congressional offices over the spring break.

**Immigration Restructuring:** Spurred by news that the Immigration and Naturalization Service (INS) recently sent notices approving student visas for two of the hijackers involved in the September 11th attacks, House Judiciary Democrats and Republicans agreed this week on a bipartisan bill to reorganize the INS. Modifications will be made to H.R. 3231, and a mark up has been tentatively scheduled for April 9.

The bill would split the INS into two agencies -- one for enforcement issues and another for naturalization and immigration services. The Administration opposes the bill, contending that it can reorganize the agency without legislation.

**Terrorism Hearing:** The House Government Reform Subcommittee on Government Efficiency, chaired by Representative Horn (R-Long Beach), will hold a hearing on state and local terrorism preparedness on March 28 at 10 a.m. at the Los Angeles City Hall. Sheriff Baca has been invited to testify on the capacity of public safety agencies to respond, and the County Department of Health Services has been invited to testify on hospital preparedness. California Health Services Department Director Diana Bonta has been invited to testify on the State's public health preparedness.

### **Pursuit of County Positions on Legislation**

**Farm Bill/Food Stamp Reauthorization:** The Farm Bill (H.R. 2646), which is pending Conference Committee action, contains provisions that would reauthorize the Food Stamp Program. Based on Food Stamp reauthorization policies included in the Federal Agenda adopted by your Board on February 6,

2002, the County supports reauthorization of the Food Stamp Program with the following provisions:

Quality Control: The County supports quality control (QC) reforms contained in the House version so that only states with serious, persistent QC problems would be sanctioned except that the final bill should include the Senate's effective date of Federal Fiscal Year (FFY) 2001 for the error rate provisions and the Senate's requirement that the U.S. Department of Agriculture (USDA) adjust a state's error rate to eliminate the impact of high or increasing numbers of low-income working households or immigrant households. With these amendments, California would not be subject to fiscal sanctions for its high FFY 2001 error rates unless its error rates for FFY 2002 and FFY 2003 also exceed the national average error rate by more than one percentage point as penalties only would be imposed if a state had high error rates for three consecutive years beginning with FFY 2001. Under current law, the State definitely would be penalized for its high error rate. The State and the County also would benefit from the requirement that the error rate be adjusted for the impact of a large number of low-income working households and immigrant households on Food Stamps.

The County also opposes the Senate's provision to authorize the USDA to impose an additional penalty of up to five percent of a state's Food Stamps administration funding if it found "serious negligence." There is no objective standard for "serious negligence," and, if enacted, California would be at risk of being penalized for FFY 2001 as the USDA is upset with the State's high error rate. The QC fiscal sanction issue is of major importance to the County. Under State law, 90 percent of Federal QC fiscal sanctions are passed through to counties, and it is believed that our County alone would be responsible for repaying well over half of total amount of any Federal QC penalty for FFY 2001. We understand that the final FFY 2001 error rate calculations are expected to be released in April 2002.

Legal Immigrant Restorations: The County supports the Senate's provisions which would restore Food Stamp benefits to the following categories of legal immigrants: those who have worked in the U.S. for at least 16 quarters; children regardless of date of entry to the U.S., and refugees and asylees who currently are ineligible because they have been in the U.S. for more than seven years. The County also supports the Senate's restoration of Food Stamps to legal immigrants who have been in the U.S. for at least five years without its language that limits such eligibility to legal immigrants who previously were not in an unlawful status for 12 months or more. Requiring Food Stamps administrative agencies, such as the County's Department of Public Social Services, to

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determine if applicants previously were in the country illegally would impose a major new administrative burden and greatly increase the risk of quality control errors and fiscal sanctions. Moreover, even the Immigration and Naturalization Service lacks the capacity to readily determine whether legal immigrants previously were in the country illegally for 12 months or more.

Food Stamp Simplification: Support provisions which would improve coordination with the Temporary Assistance for Needy Families (TANF) Program, simplify eligibility, and increase state flexibility, including: the House bill's extension of transitional Food Stamps to families who leave TANF from three to six months, Senate provisions which would increase State flexibility over the use of Food Stamp employment and training funds, and Senate provisions to simplify Food Stamp deductions, allowances, and counting of income and resources available to recipients. Simplification not only would make it easier for low-income households to apply and receive Food Stamps, but also would make the program simpler to administer, resulting in fewer QC errors.

We will continue to keep you advised of any new developments.

DEJ:GK  
RT:TJ:MT:lm

c: Executive Officer, Board of Supervisors  
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